

ASSEMBLY BILL

No. 8

Introduced by Assembly Member Brownley

December 1, 2008

An act to add Section 41054 to the Education Code, relating to education finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 8, as introduced, Brownley. Education finance: working group.

Existing law establishes the public school system in this state, and, among other things, provides for the establishment of school districts throughout the state and for their provision of instruction at the public elementary and secondary schools they operate and maintain. Existing law establishes a public school funding system that includes, among other elements, the provision of funding to local educational agencies through state apportionments, the proceeds of property taxes collected at the local level, and other sources.

This bill would express findings and declarations of the Legislature with respect to the school funding system in the state. This bill would require the Director of Finance and the Legislative Analyst to convene a working group to make findings and recommendations to the Legislature and the Governor on or before December 1, 2010, regarding restructuring California's school finance system. The bill would require those findings and recommendations to include, among other things, alternative structures for funding public schools, the policy and fiscal implications of the alternative funding structure or structures, and an evaluation mechanism to facilitate continuous improvement, maximum transparency, and accountability of the funding structures.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The 22 studies of the Getting Down to Facts Project and the
- 4 Governor’s Committee on Education Excellence were consistent
- 5 in their conclusions that California’s current education finance
- 6 system is overly complex, irrational, and burdensome, and is in
- 7 need of a long-term plan for comprehensive reform.
- 8 (b) The complexity of the current system poses a major obstacle
- 9 to transparency and effectiveness. It is almost impossible to
- 10 determine how much revenue each school district receives or how
- 11 those revenues are spent, let alone to report this information to
- 12 local communities, stakeholders, and the state.
- 13 (c) The current system is not logical, with district revenues that
- 14 are largely a historical artifact of spending in the 1970s combined
- 15 with a confusing and burdensome system of categorical programs.
- 16 Disparities in school and district revenues are substantial and are
- 17 not aligned to pupil or educator needs.
- 18 (d) The system places substantial restrictions on the use of
- 19 resources by schools and districts, creating high compliance costs
- 20 and making it difficult for local educators to respond to the needs
- 21 of their pupils. Fewer paperwork requirements and more flexibility
- 22 in allocating resources are cited by school principals as two of the
- 23 most important factors in improving pupil outcomes.
- 24 (e) Many schools and districts lack the proper tools or capacity
- 25 to ensure that money is spent on the most effective programs and
- 26 practices. Research consistently finds that successful schools use
- 27 data to inform teaching practices and innovation. However,
- 28 California schools and districts vary widely in their use of data
- 29 and in their capacity to use data to improve pupil performance.
- 30 (f) Ensuring that money is spent efficiently and effectively
- 31 requires a full understanding of how money is allocated by school
- 32 districts and spent within schools. However, California does not
- 33 collect financial data that is useful for determining the effectiveness
- 34 of resources at the state, district, or school levels.

1 (g) Therefore, it is the intent of the Legislature to do all of the
2 following:

3 (1) Build on previous research and recommendations to produce
4 a comprehensive plan for finance reform to support pupil
5 achievement, with specific consideration given to the interactions
6 of incentives in school finance formulas.

7 (2) Establish simpler formulas for allocating funding to each
8 local educational agency.

9 (3) Make the allocation of funding more rational so that the
10 revenues received by each local educational agency reflect the cost
11 of educating pupils with varying needs in varying environments.

12 (4) Support accountability by increasing the transparency of
13 state funding mechanisms and of expenditure decisions at the local
14 level.

15 (5) Improve the reporting of financial data so that programmatic
16 investments can be linked to programs that increase pupil
17 achievement.

18 (6) Support continuous improvement by requiring periodic
19 review of the school finance system and of local resource decisions.

20 (7) Hold local educational agencies harmless, and transition to
21 the new system gradually, as new moneys become available.

22 SEC. 2. Section 41054 is added to the Education Code, to read:

23 41054. (a) The Director of Finance and the Legislative Analyst
24 shall convene a working group to make findings and
25 recommendations to the Legislature and the Governor regarding
26 restructuring California's school finance system as set forth in
27 subdivision (b).

28 (1) In addition to the Department of Finance and the Legislative
29 Analyst, the working group shall be composed of representatives
30 of the Governor, representatives of the Superintendent of Public
31 Instruction, and majority and minority staff of the appropriate
32 policy and fiscal committees of the Assembly and Senate.

33 (2) The working group shall consult with, or invite the
34 participation of, organizations or experts it deems appropriate to
35 accomplish its tasks.

36 (3) In its deliberations, the working group shall consider and
37 give appropriate weight to the findings and recommendations of
38 the Governor's Committee on Education Excellence and to the
39 research results embodied in the Getting Down to Facts Project.

- 1 (b) The working group shall make findings and
2 recommendations regarding all of the following:
- 3 (1) Alternative structures for funding public schools that shall
4 include, but not necessarily be limited to, all of the following
5 characteristics:
- 6 (A) Simple formulas for allocating funding to each local
7 educational agency.
- 8 (B) Rational allocation of funding so that the revenues received
9 by each local educational agency reflect the cost of educating
10 pupils with varying needs in varying environments.
- 11 (C) A funding structure that supports accountability by providing
12 transparency of state revenue allocation rules as well as expenditure
13 decisions at the local level.
- 14 (D) A funding structure that facilitates reporting of financial
15 data so that programmatic investments can be linked to pupil
16 achievement.
- 17 (E) A funding structure that allocates consistent additional
18 resources to school districts and county offices of education on
19 the basis of exogenous characteristics of the local educational
20 agency and its students that research has shown clearly affect the
21 costs of educating pupils.
- 22 (F) A funding structure that recognizes the financial
23 consequences of growth or decline in the number of students
24 served.
- 25 (G) A funding structure that reinforces the academic goals of
26 the public schools.
- 27 (2) Pathways to transition from the current school funding
28 structure to the more desirable and comprehensive alternative
29 structure or structures identified pursuant to paragraph (1), and a
30 specific mechanism to initiate the transition as increased funding
31 becomes available in future years. In particular, the findings and
32 recommendations shall address:
- 33 (A) The conditions that should be in place before a transition
34 begins.
- 35 (B) The length of time that is necessary or appropriate to
36 transition to a new funding structure.
- 37 (C) The manner in which local educational agencies should be
38 held harmless during a transition period from revenue changes
39 associated with a new funding structure.

1 (D) An equalization component for the transition to the new
2 funding structure, based on the characteristics identified in
3 subparagraphs (B) and (E) of paragraph (1).

4 (E) How and when to eliminate unnecessary statutory and
5 budgetary elements of the current school funding structure.

6 (3) The policy and fiscal implications of the alternative funding
7 structure or structures identified pursuant to paragraph (1). In
8 particular, the findings and recommendations shall address all of
9 the following:

10 (A) Costs associated with implementing new school funding
11 structures.

12 (B) Trade offs inherent among the characteristics set forth in
13 paragraph (1).

14 (C) Equity considerations.

15 (D) Incentives and disincentives that new school funding
16 structures may create or eliminate.

17 (E) Governance considerations.

18 (4) Modifications to the standardized account code structure to
19 provide school-level reports on revenue and expenditures to
20 facilitate easy comparisons across schools and districts, including
21 comparisons of school, district, and statewide demographics and
22 academic performance, and data on program-level expenditures.

23 (5) An evaluation mechanism to facilitate continuous
24 improvement, maximum transparency, and accountability of the
25 primary funding structures, as well as a consistent process to
26 evaluate the effectiveness of any specific programs that are funded
27 separately.

28 (c) The working group shall present its findings and
29 recommendations to the Legislature and the Governor on or before
30 December 1, 2010.